

# Essay on global economics

[Business](#), [Company](#)



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The understanding of the cross-cultural differences is a crucial factor in developing a long-term business relationship with the foreign partners (Wellein, 2008, p. 81). The culture, business practices, and ethical perspectives of the U. S. are quite different from China. The business environment of China has a distinct culture that makes it difficult for the foreign companies to apply their standard business practices and ideas, similar to their local business markets. In the perspective of a truly global economy, the U. S. firms planning to expand their business operations into the Chinese business market need to understand and appreciate the cross-cultural differences existing in China.

Three Major Cross-Cultural Differences between the U. S. and China

### **Social Structure:**

There is hierarchical and formal social structure in China. The individuals are required to follow the rules in their specific structure. In other words, the crossing is not allowed or practiced to another area. In the United States, there is informal and loose social structure. The individuals are observed

knowing and socializing with others, regardless of their different social standards. There is a little limitation to cross the socialization.

### **Business Interaction:**

In the Chinese culture, the face-to-face interaction is necessary to finalize any business dealing. The Chinese counterparts require the direct visit and face-to-face interaction with their foreign business partners, particularly to develop a good relationship. In the U. S. culture, the business dealings and contracts are practiced or approved without meeting-in-person. The Americans hire the foreign representatives, such as the Chinese consultants, to initiate most of their business dealings. Furthermore, the Americans join other foreign firms in order to negotiate or finalize their business proposals with the foreign partners.

### **Face/Reputation:**

Chinese culture highly value reputation of all the parties in a business dealing. Reputation is considered as a very crucial business ethic to the extent that one will opt to turn down a business dealing that is likely to destroy another's person reputation. In case there is a matter of shame, then the Chinese people leave their job or do something to rebuild their shameful reputation. Conversely, the face/reputation is not regarded so high in the U. S. rather it is considered as the coming and going situation. The Americans ignore their face/reputation in order to achieve their jobs done.

Comparison of the U. S. and China Business Practices Concerning 4Ps

The traditional marketing mix in Chinese retail market is a very common and relevant practice. The price in the Chinese market is determined by

competitive conditions, consumer purchasing power, market segments and location. Promotion mainly focuses in doing in-store displays to trigger impulse buying. Placement strategies take into account the supplier networks and their nearness to stores, demographics, local customs, government regulations as well as the potential to use the local partners. Product must always meet the ever-changing needs of the consumer in the Chinese markets in terms of sizes, packaging, and quantities among others. However, marketing mix in China puts more emphasize on the promotion component of the 4 Ps. The other Ps are not fully considered in the marketing mix, for instance, product is considered as the engineers' job, price is regarded as the sales forces tasks and place as the job of the senior management.

On the contrary, marketing mix in the U. S. depicts some differences with those in China. Mostly, the 4 Ps of the marketing mix is a common element among to the global companies rather than the retails ones. The factors that determine the 4 Ps differ a bit in these two countries. Prices in the U. S. markets are determined by some dynamic factors such as, the habits of the consumers and dollar fluctuations. Contrary to the Chinese promotion strategies, U. S. companies' mainly utilize a number of channels to do promotion. Promotion in the U. S. is done via advertisements, circulars, outdoor marketing, free trial of the products and redeemed prices as huge discounts. Placement is affected by almost similar factors like those in China. Placement is determined by government authorities, demographics, national customs and clearing and forwarding agents. In the U. S., customers are very sensitive to product storage and packing as well as the value of the product

in satisfying their needs. Therefore, the marketing mix in U. S. tends to be more advanced in comparison with one practiced in China.

## **Two Distinct Ethical Issues While Expanding Business in China:**

One of the ethical issues that foreign companies need to understand about China while expanding business is the level of corruption within the country. According to the 2011 corruption index released by transparency international, China was ranked 75th out of over one hundred and eighty countries (Irwin, 2012). This connotes that the level of corruption in China is extremely high. In addition, the government of China has not formulated and implemented effective strategies to counter the issue properly. It is, therefore, very challenging for companies that seek to implement a sound ethics program and work under an environment upholding high ethical standards in China. It is worthwhile to note that corruption in China is prevalent both in the governmental sectors and non-governmental organization sectors. For instance, there are corruptions scandals associated with NGO officials who used donations to buy luxuries rather than directing them for the intended purpose.

Another ethical issue that must be grasped by companies seeking for expansion in China is the issue of discrimination in the workplace. Women discrimination is a prevalent problem in the workplace in China (Irwin, 2012). More often than not, sexual discrimination at work takes place, where women in the subordinate level in organizations do not resist sexual advances to avoid losing their jobs. Furthermore, migrant workers are subjected to discrimination in China. Such workers at times do not enjoy the

protection of the labor laws in the country, somehow because of the huge costs of litigation and the common perception that they do not deserve the rights. Therefore, foreign companies looking for expansion in China need to understand this ethical aspect that concern foreign workers in order to know how to deal with such issues, in case they wish to employ expatriates.

## **References**

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